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SECTION 3 (WESTERN)

"B" GERMANY. Allied Retaliation against Soviet Harassing of Berlin Transport. The Allied Commandants in Berlin on 6 March imposed countermeasures against the Soviets by initiating a close check of craft navigating the West Berlin waterways, through which extremely heavy East German traffic is now moving. Although constant Soviet harassing measures against road, rail, and water routes between Berlin and Western Germany have failed in their basic objective of undermining the economy of West Berlin, Soviet restrictions on water traffic between Berlin and West Germany have reached a point where a large part of the Ruhr and Hamburg barge fleets are now refusing to make the run to Berlin. Using "prevention of smuggling" as an excuse, the Allies intend to maintain restrictive controls (including close checking of all ship's papers, etc.) until satisfactory agreement can be reached with the Soviets in the entire field of water transport. (S Berlin 1115, 6 Mar 51). COMMENT: These Allied measures were authorized by the Council of High Commissioners on 22 February 51, (OCI Daily, 26 Feb 51). Last July, Western retaliatory measures were partly responsible for the lifting of Soviet restrictions on Western barge traffic.

"B" FRANCE. Improvised Solution of Cabinet Crisis a Possibility. Following the failure of Socialist Guy Mollet to obtain Assembly approval as Premier, only two other possible candidates--ex-Premier Pleven and ex-Finance Minister Petsche--are still being discussed informally among the deputies. Should neither of these leaders succeed, President Auriol, who is planning a visit to Washington late this month, might resort to forming an interim Government presided over by a senior statesman like Radical Socialist (moderate) Herriot. Mollet's failure was due to the fact that his program of economic controls was in part unacceptable to the Radicals, while his plan to have the Assembly take the initial vote on an electoral reform bill without Government intervention was probably not favored by most Popular Republican (MRP) deputies. The non-Communist parties are in agreement, however, on foreign policy and on a prompt constitutional reform to eliminate the Communists from the caretaker government following a dissolution of the Assembly. Should the Assembly agree to a popular referendum on electoral reform, elections would "almost surely" be delayed until fall. (New York Times, 7 Mar 51; C Paris telegram, unnumbered, 2 Mar 51 and 5178, 5 Mar 51). COMMENT: A popular referendum is unlikely in view of both the impatience of all non-Communist parties for early elections and the deputies' desire to influence the procedure determining their own chances for reelection. These parties are not likely, however, to permit the crisis to deteriorate as far as a dissolution of the Assembly without some electoral reform to reduce the Communists'

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representation in the next Assembly. On the other hand, as elections approach, the parties of the middle-of-the-road majority will be less inclined to agree on programs like Mollet's to cope with the steady inflation in France.

"B" ITALY. Christian Democrats Involved in Trieste Agitation. Recent Italian irredentist activities in Trieste, according to US Ambassador Dunn, originated chiefly in Premier De Gasperi's Christian Democratic Party, which can be restrained from carrying on a "provocative campaign" against the Allied Military Government provided the British make strong representations to this end, coupled with reassurances as to the present British policy, when De Gasperi visits London next week. At that time De Gasperi will urge the Western powers to reaffirm the March 1948 declaration on Trieste and include Italian representatives in any substantive discussions of the problem. (S Rome 3815, 2 Mar 51). COMMENT: On the Trieste question, it is easy for the Government to arouse the political support of all Italians including the Communists. As anticipated, the Christian Democrats are seeking popularity by pandering to nationalism in Italy and among Italians in Trieste, with an eye to the approaching communal elections in both areas.

"C" SPAIN. Government Accedes to Popular Demand in Barcelona Strike. The total popular boycott of Barcelona's streetcars which began on 1 March, in protest over increased fares, ended 6 March with the Government rolling back fares to the pre-strike level. Although the protest was generally characterized by passive resistance against riding the streetcars, there were instances of unnecessary police brutality in breaking up demonstrations as well as scattered attempts by the populace to prevent individuals from boarding the streetcars. US Consul, Barcelona, heard rumors that the incident stemmed from a rift in the local Falange organization and that a general strike could develop out of the situation which might spread to other cities in Catalonia. A boycott of Barcelona's newspapers for their silence on the issue of the streetcar fares during the boycott and for the recent increase in newspaper prices is reportedly scheduled for 10 March. (R Barcelona 65, 2 Mar 51; U New York Times, 6 Mar 51). COMMENT: The boycott is significant because for the first time the Franco regime has allowed a demonstration of popular disapproval of a Government measure to assume such proportions. However, despite the concession to popular demand on the fares issue, the Government is still capable of dealing adequately with such indications of the people's dissatisfaction with economic conditions or with any future Falange attempt to demonstrate its political effectiveness. In fact, it is possible that the people of Barcelona, notorious for their political volatility, have been permitted this "moment of triumph" in order to distract them from other more basic and enduring hardships.

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"B" SWITZERLAND. Swiss Consult Swedes on Export Controls. The Swiss press has announced the departure for Sweden of the Chief of the Division of Political Affairs in the Swiss Foreign Office. This trip follows a conference of Swiss Government officials and Swiss Ministers and commercial councillors from Washington, Paris, and London held in Berne to discuss developments in east-west trade controls. (C Berne, 1274, 6 Mar 51). COMMENT: The Swiss will probably make a major policy decision in the near future on how best to meet Western export controls objectives without impairing their neutrality as they are anxious to avoid being isolated from the West on this issue. Undoubtedly, the Swedes, who likewise fear isolation, will welcome the opportunity to discuss this question with the Swiss.

"C" UNITED KINGDOM. Steps to Close Several Consulates in China Ordered. The Foreign Office has ordered the taking of preliminary steps to the closing by May of the UK consular offices in the Chinese cities of Tsingtao, Nanking, Amoy, Chungking, and Kunming. (C London 4777, 6 Mar 51). COMMENT: This order, which in general implements a decision made a month ago, is a British reaction to the hostile attitude of the Communist authorities that in recent months has been responsible for the expulsion of the British consuls in Mukden and Urumchi. The move does not signify any lessening of the British desire to establish regular commercial and diplomatic relations with the Peiping Government. The stations to be closed [REDACTED]

25X1C [REDACTED] and other British consulates remain open in Tientsin, Shanghai, Hankow and Canton in addition to the Embassy in Peiping.

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"C" Government Facing New Embarrassment in African Colonial Policy. Among white elements in both the Union of South Africa and British East Africa marked sympathy has been expressed for South African Prime Minister Malan's recent attack on the British policy of granting eventual Commonwealth membership to non-white colonial territories. A leading white settler newspaper in East Africa has maintained that the Union, as a Commonwealth member, had every right to ask the British not to pursue policies in Africa (i.e. granting political power to the natives) which it considers dangerous. In South Africa itself press comment seemed to divide mainly along party lines; but the most important Opposition criticism of Malan's statement focused not on its main point but on the unfriendly manner in which it was made, and argued that the question of a black African Commonwealth country was not an immediate one. The UK Government, however, has reiterated its commitment to its policy of self-government within the Commonwealth for colonial peoples. (U London Times 27 & 28 Feb 51). COMMENT: It seems clear that this latest statement from the generally anti-British Malan has provided a new and marked embarrassment for the UK in its Commonwealth relations and its African

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colonial policy. Informed public opinion in Western countries will probably agree with the reply of the UK-Commonwealth Relations Secretary that new nations will arise in any case and that the real question is whether or not these nations are to be associated with the West through the bridge provided by the Commonwealth. But white elements in Africa, whom the UK cannot antagonize too sharply without prejudicing its whole position there, generally do not view the question in this light;

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"B" ICELAND. Duration of Defense Agreement. (See O/CI Daily, 1 Mar 51) According to US Minister Lawson, Foreign Minister Benediktsson is unalterably opposed to the US suggested provision that the defense agreement with Iceland shall remain in force until NATO determines that the facilities are no longer necessary because he is convinced that the Government will not accept any agreement which does not give Iceland a unilateral termination right. Benediktsson insists therefore that Iceland have this right and proposes a clause permitting his country to announce an end to the pact, if, six months after requesting NATO review, no agreement is reached, with actual termination effective six months thereafter. The Foreign Minister even stated that he, the undeniable leader in paving the way for a defense arrangement, would not recommend the US text to the Government, since he would rather see Iceland remain undefended than agree to peacetime occupation for the duration of NATO. (TS Reykjavik 165, 4 Mar 51). COMMENT: The unpopularity of a defense agreement which does not provide for Iceland's unilateral termination is a foregone conclusion, and the imperative need for strong Althing support from all non-Communist parties underlies the Government's insistence on this point. It is believed that these political considerations and the Foreign Minister's adamant opposition preclude the likelihood of acceptance of an agreement not providing for Iceland's right to terminate it. However, if such a prerogative is accorded it is considered highly unlikely that Iceland would move to end the pact in the face of NATO recommendation to the contrary.

"B" BRAZIL. Foreign Office Requests Delay Eximbank Loan for Manganese Development. An official of the Brazilian Foreign Office requested that the Export-Import Bank temporarily delay action on the loan application for Sobramil, the company owned jointly by US Steel and the Chamma family of Brazil for the exploitation of the vast Urucum manganese deposits. The official stated that the application is under detailed study by the Brazilian National Security Council, some of whose members question the validity of the Chamma concession. He also said that some members of the NSC consider that since the concession is located in a frontier zone approval by both state and federal

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governments is required. The official added that the problem is entirely domestic and connected with Brazilian law. In his opinion, it will be resolved in the near future, and he requested that State Department and the Eximbank give this matter no publicity. (C, Rio 1127, 5 Mar 51). COMMENT: This action comes as a surprise. In December an official of US Steel stated that only minor details had still to be completed between his company and George Chamma. These problems had apparently been resolved by the statement of the US General Services Administration that it is prepared to enter into long-term contract to purchase the major part of the annual production. There have been reports during the past year of a strong feeling in the Brazilian NSC that permission for the exploitation of these deposits should be contingent upon a definite understanding that the shipment of the ore would be by rail through Brazil. The loan plan, however, states that the Eximbank is prepared to make a 30 million dollars loan to finance the acquisition and installation of necessary facilities for mining the ore and for its transport by barge down the Paraguay-Parana River to a deep-water port where it would be loaded on ocean-going vessels. Since the Brazilian constitution does not expressly require that such concessions have the approval of state governments, it is possible that Brazil would like to use US manganese requirements as a bargaining point in the Inter-American Meeting of Foreign Ministers here in Washington later this month.

"G" 25X1A URUGUAY. Communist Party Purge. Eugenio Gomez, Secretary-General of the Uruguayan Communist Party (PCU), has requested the expulsion of Vicente Denis, Wilfredo Figueredo and Laurencio Gomez, and the demotion from their present party positions of high-ranking PCU officials Juan Acuna and Hector Rodriguez. Further expulsions of PCU members will follow. [REDACTED] COMMENT: This development follows the recent removal of Enrique Rodriguez from his position as co-Secretary General of the UGT (important, Communist-dominated labor federation). Enrique Rodriguez and, to a somewhat lesser extent, his brother Hector have been in the bad graces of the party for approximately two years for insisting that the PCU should concentrate on domestic problems rather than force the party to take a stand on international affairs. When accusations of deviationism were leveled against them, however, Enrique would confess publicly that he has deviated from the Party line. This tactic has heretofore permitted him to continue as co-leader of the UGT, and enabled both Hector and Enrique to continue as members of the PCU National Committee. The demotion, rather than expulsion of Hector is probably motivated by the PCU's desire to keep him within the party, if possible, in order to retain the support of a large segment of labor which is loyal to the Rodriguez brothers. The demotion of Juan Acuna, Secretary of Propaganda in the Department of Montevideo, is apparently due to Gomez's conviction that the Party organ, Justicia, has been an ineffectual propaganda medium during the campaign.

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